



INVEST IN AFFORDABLE HOMES:

A Key to the Future

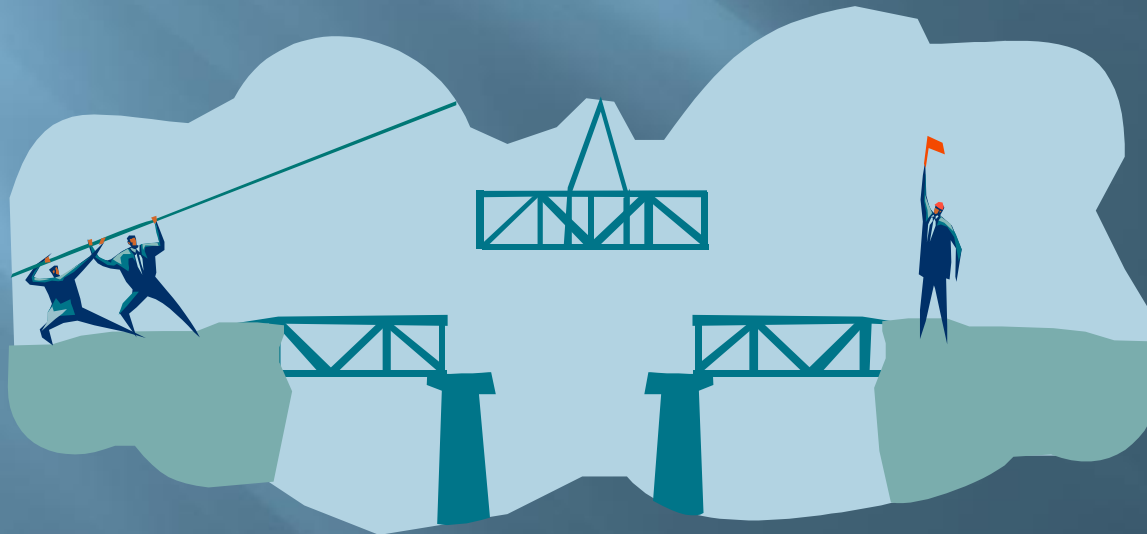


Affordable Housing Finance

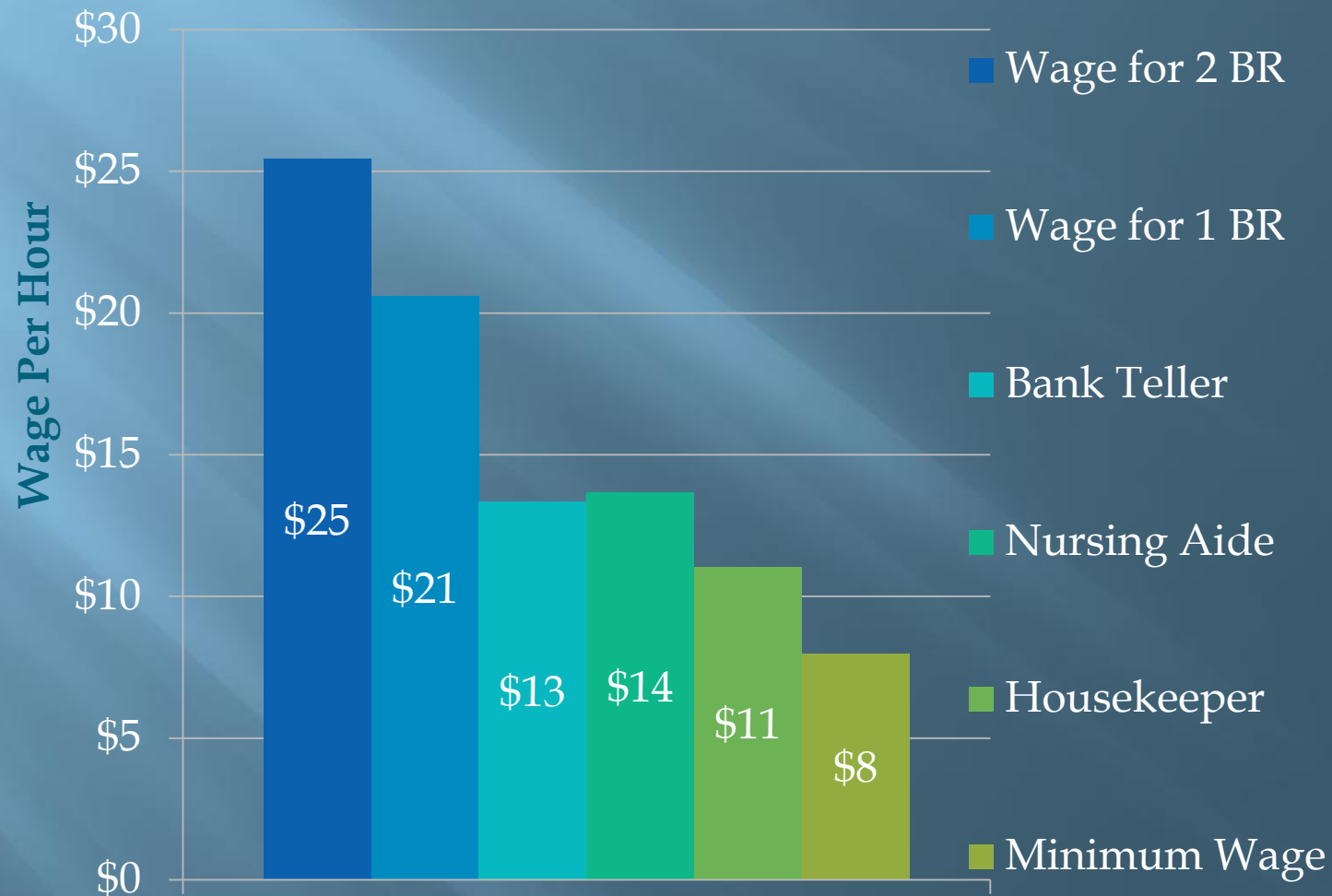
- ▣ Land, labor and materials . . . in most cases, the cost of these 3 basic elements of housing construction precludes offering a home at an affordable cost.
- ▣ The San Diego market is broken. The gap between the housing that the market can produce and what our workforce can afford is astronomical...and growing!

Affordable Housing Finance

- ▣ Linkage fees assist in filling the gap between market rents and the rents that our workforce can afford.



Affordable Housing Finance



Linkage Fees are an Investment in SD Communities

- ▣ For every \$1 of linkage fee invested, another \$30 in outside funding have been leveraged.
- ▣ This equates to nearly \$600M in investment in San Diego neighborhoods.
- ▣ Resulting in broad-based funding from private, state and federal funding to create workforce housing for our City's employers.

Investment in Our Economy

- ▣ 2010 Center on Housing Policy Study found a new home in CA produces 2.1 new jobs and \$375K in new economic activity.
- ▣ That equates to 8,400 new jobs and \$1.5B in new economic activity resulting from linkage investment.
- ▣ \$50M per year in discretionary income is produced to be invested back into the economy by the households living in homes constructed using linkage fees.

Investment in Our Economy

- ▣ SANDAG is projecting that 50-95% of the 150,000 new jobs created by 2030 will have wages below 120% of the Area Median Income.
- ▣ The hospitality sector will see the 2nd largest increase.
- ▣ A SD Chamber survey found availability of qualified labor to be the most significant barrier to expansion of business...ranking above taxes and regulation.
- ▣ Lack of access to affordable housing contributes to increased traffic resulting in loss of economic productivity.

What Does the Loss of \$113.1M Mean for San Diego?

- ▣ San Diego has lost \$113.1M in HTF investment.
- ▣ This equates to:
 - 620 affordable homes
 - 1,302 new jobs
 - \$232M in economic activity
 - \$3.4B in outside investment leveraged

What Does 620 Homes Mean to Downtown Business?

- ▣ 620 homes would fill the gap of housing opportunities needed for downtown homeless population.
- ▣ Cost of homelessness is \$2,308/individual and \$20,031/family per incident.

Lack of Impact on Commercial Development

- ▣ Despite having the linkage fee, commercial development in the City as a percent of overall development in the County has been over 50% since the fee was adopted.
- ▣ Market studies demonstrate that linkage fees, like other fees, are absorbed into the cost of land.
- ▣ To the extent that the developer absorbs cost of fee, it is amortized over the period the development cost is financed (20-40 years).



Recommendation

- ▣ Bring fee to 2011 levels utilizing construction cost methodology of 1.5% or approximately 5%-7% of nexus cost.
- The original fee was set at 10% of nexus cost or approximately 1.5% of the development cost.

	1990	1996	2010 (per original ordinance)	1.5% of Development Cost
Retail	\$1.28	\$0.64	\$2.31	\$5.08
Office	\$2.12	\$1.06	\$3.83	\$5.65
Warehouse	\$0.54	\$0.27	\$0.71	\$2.29
Manufacturing	\$1.28	\$0.64	\$2.31	\$3.59
Hotel	\$1.28	\$0.80	\$2.89	\$4.86
R&D	\$1.60	\$0.64	\$2.31	\$3.59

Recommendation

- ▣ Implement Automatic Annual Escalator to ensure that fee maintains a relationship to the market.